

Timber and Tariffs on Trial

By Shawn Zeller, CQ Staff

Two environmental groups have taken the Bush administration to court over an unusual settlement of a trade dispute with Canada in which five U.S. organizations divvied up \$1 billion in tariff revenue.

The Center for Biological Diversity and Conservation Northwest argue in their suit that U.S. Trade Representative **Susan C. Schwab** has withheld documents explaining the deal, which settled a lengthy dispute over softwood lumber imports.

DEALMAKER:

Susan C. Schwab

(GETTY IMAGES

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The United States actually lost in arbitration and agreed to return more than \$5.3 billion in tariffs it had collected on the Canadian wood. But in order to mollify the timber industries in both countries and head off further lawsuits, as Schwab's staff explains it, Canada agreed to direct \$1 billion of its settlement to five groups — four involved in the timber business and one charity, Habitat for Humanity.

A lawyer representing the environmental groups, **Peter Goldman** of Seattle, said Congress should have had a say in how the money was spent, and he contends that administration negotiators “did it this way to ensure the money went where they wanted it to go.”

He argues that at the very least, the arrangement violates the spirit of a 2006 law that prohibits giving U.S. tariffs directly to aggrieved industries. But U.S. negotiators point out that the law only took effect last year after the lumber settlement was reached and that Congress had provided exactly the opposite in a 2000 law that said tariffs should compensate aggrieved U.S. businesses. Other countries, including Canada, protested that provision, saying it was an incentive for industries to lobby for tariffs, and the World Trade Organization agreed in 2003.

Among those sharing in the \$1 billion from Canada is the Coalition for Fair Lumber Imports, a group of large timber companies, including the Potlatch Corp. of Washington and Sierra Pacific Industries of California, which over the past nine years has spent more than \$5.7 million on outside lobbyists in Washington, including President Bush's 2004 re-election campaign chairman, **Marc Racicot**, and former GOP Rep. **Tom Loeffler** of Texas.

That's a huge expenditure as Washington lobbying campaigns go, but a drop in the bucket compared with the \$500 million the group received from the Canadian settlement.

Another \$200 million went to the U.S. Endowment for Forestry and Communities, which was created for the purpose of accepting the funds and is run by **Carlton Owen**, a former Potlatch executive.

Others that shared in the \$1 billion were the Bi-National Council, a newly formed Canadian-American partnership to promote the timber industry in both countries, and the American Forest Foundation, a nonprofit that aims to preserve U.S. forests for harvesting.